

EUROPEAN ECONOMY

COMMISSION OF THE EUROPEAN COMMUNITIES • DIRECTORATE-GENERAL FOR ECONOMIC AND FINANCIAL AFFAIRS

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Supplement C

Economic prospects - consumer survey results

Trough in consumer confidence. — According to the October 1981 consumer survey results, consumer confidence in the Community as a whole remains at a low level, lower than at any time since the surveys started in 1972. The last survey round in May had shown a small improvement in confidence as compared to January, owing to less marked pessimism about the economic outlook, but the October results show that consumer sentiment has returned again to the weak January level. The three major survey rounds conducted in 1981 (in January, May and October) indicate that consumer sentiment has reached a cyclical trough, taking the Community as a single region.

The outlook for private consumption continues, therefore, to be weak in early 1982, even though recent results from the business surveys¹ clearly indicate better business prospects in general and greater optimism of producers of consumer goods in particular.

The composite index of consumer confidence for the Community as a whole fell by 2 points in October, as compared to May (see Graph 1 and Table). This is attributable to a major decline in consumer confidence in Ireland (20 points), with significant falls also in the Federal Republic of Germany (5 points) and Belgium (3 points). In the Netherlands and Denmark, there were small improvements (by 3 points and 1 point, respectively), while the confidence indices for France, Italy and the United Kingdom were essentially unchanged. In the Federal Republic of Germany and in Ireland, consumer confidence is now lower than at any time since the survey began.

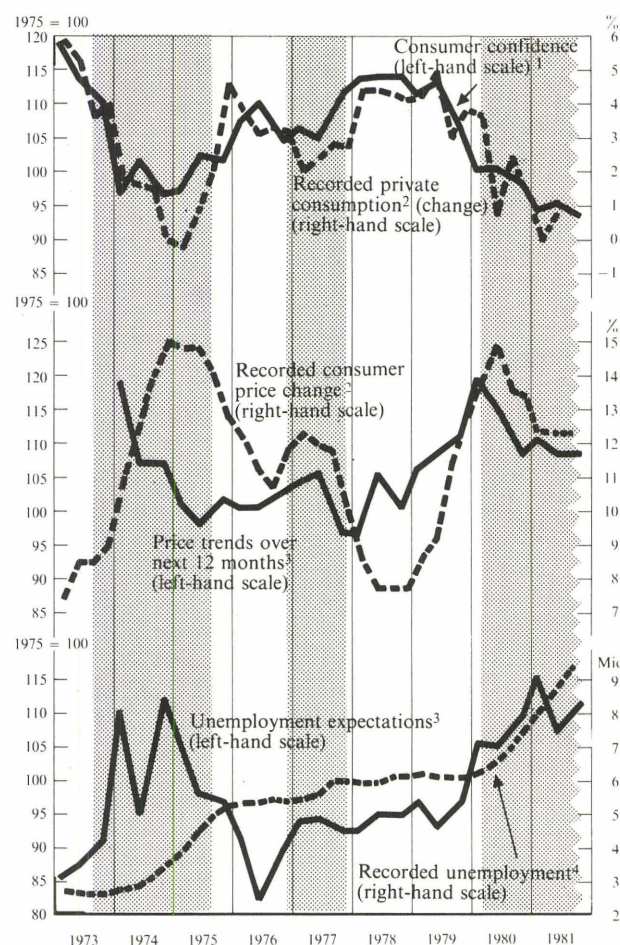
Economic prospects viewed more unfavourably. — The main reason for the slight weakening of consumer confidence noted in October, as shown by the composite index for the Community, is the deterioration in consumers' expectations of general economic developments over the next 12 months (see Graph 2).

Thus, the Community indicator of opinions about the economic outlook fell by 4 points in October, following a 10-point rise in May. Consumers in Belgium, the Federal Republic of Germany, France, Ireland and the United Kingdom were markedly more pessimistic about economic prospects, while this indicator improved in the three other countries covered by the survey.

For the Community as a whole, consumers' assessments of the past year's economic development worsened slightly, by one point. Consumers perceived an economy as having improved over the past 12 months in France, Italy and the Netherlands, the opposite being true of the remaining countries.

Unemployment expectations were again higher for the Community in October, following a sharp decline in May (see Graph 1). This indicator rose in all countries, except for France and the United Kingdom where, somewhat surprisingly in view of the increased pessimism about economic prospects, there were slight improvements in labour market expectations.

GRAPH 1: Survey results and objective economic indicators — European Community total



Shaded areas indicate periods of recession. The timing of the end of the latest recession is yet to be determined.

For notes, see overleaf, column 1.

Sources: European Community consumer survey and Eurostat.

¹ See *European Economy*, Supplement B 'Economic prospects - Business survey results', No 12, December 1981.

Households' financial situations. — The indicators of consumers' views about the development of their own financial positions, for both the preceding and the next 12 months, showed little change at Community level in October. The index of opinions about the recent trend of households' financial circumstances showed no significant changes for the individual countries, except for Ireland where there was a sharp deterioration in household opinion concerning recent developments in their finances. Consumers' opinions about developments in their financial positions during the next 12 months worsened very slightly, in October, taking the Community as a whole, the index returning to the level of January 1981. In Belgium, Denmark, Italy and the Netherlands, households were less pessimistic in October than in May, but were more so in the remaining countries.

For the Community as a whole there was a further small deterioration in households' current budgetary situations, consumers having to save less, to draw on their reserves or to borrow money.

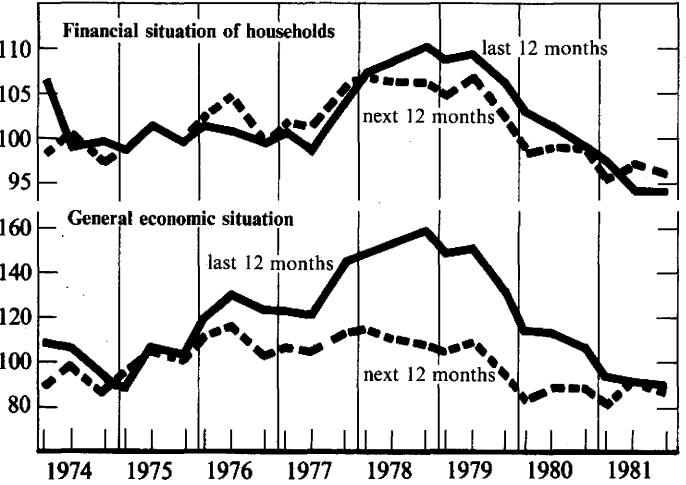
Price trend assessments. — At Community level, consumers' assessments of the past year's inflation and their expectations for the next year remained in October as in May. Inflationary expectations were significantly higher in Belgium, France, Ireland and the United Kingdom, but lower in the other countries. Only in Belgium was the past year's inflation rate considered to be markedly higher than at the May evaluation, although there were also small increases in perceived inflation in Denmark, France and Ireland.

Consumer spending likely to remain depressed. — Replies to the questions concerning the purchases of consumer durables provide further evidence to the argument set out above, based on the low level of consumer confidence, that private consumption expenditure will continue to be restrained during the next few months. The Community index of the advisability of making major purchases fell sharply in October, the fifth consecutive decrease. Much of the decline may be attributed to a marked deterioration of this indicator in the Federal Republic of Germany (which may in part be due to the methodological changes in this country's survey — see notes on p. 4). Decreases in spending sentiment were also recorded in Belgium, Ireland, Italy, the Netherlands and the United Kingdom, while consumers in Denmark and France thought it was now slightly more advisable to buy consumer durables. In reply to the question on expected major purchases during the next 12 months, as compared to the last 12 months, consumers gave the same level of response for the Community as a whole as in May. This level, however, is well below that reached during the 1974-75 recession.

The October results for the questions on attitudes to savings show that more difficult financial conditions may also be constraining consumers to save less. The Community indicators for both the questions on the advisability of saving at present and on the expected savings to be realized during the next 12 months showed sharp declines. These were due in large part to the decreases in the German figures (which as indicated above may have been affected by changes in the survey methodology), but for both questions the majority of the other countries also recorded falls. Expectations of savings during the next 12 months were markedly lower in Denmark, France, Ireland and Italy.

Brussels, 16 December 1981

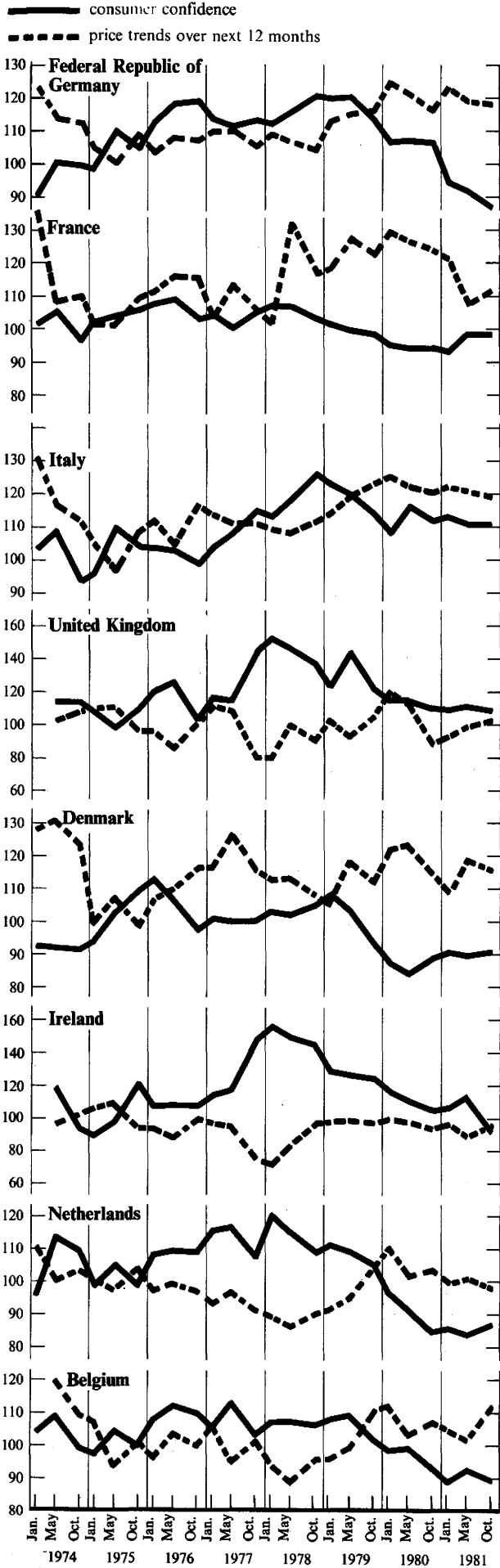
GRAPH 2: Consumers' views on past versus future developments — European Community total (Index 1975 = 100)



Notes on Graphs

- 1 The climate of consumer confidence is measured by an index based on five questions in the consumer survey. These are the questions relating to the general economic situation, the household financial situation and to major purchases of durable goods (see Table on pages 3 and 4 for data and notes).
- 2 Quarterly data - percentage change on corresponding quarter of preceding year.
- 3 See Table on pages 3 and 4 for data and notes.
- 4 Quarterly data - seasonally adjusted.

GRAPH 3: Climate of consumer confidence¹ and opinion on price trends over the next 12 months³ (Index 1975 = 100).



Source: European Community consumer survey.

TABLE: Consumer opinion on economic and financial conditions, index numbers (1975 = 100) ¹

		1974	1975	1976	1977	1978	1979	1980	1981	1979			1980			1981		
										Jan.	May	Oct.	Jan.	May	Oct.	Jan.	May	Oct.
CONSUMER CONFIDENCE INDEX ²	B	103	100	109	106	106	106	96	89	107	108	101	98	99	92	88	92	89
	DK	90	100	104	99	102	100	85	89	107	102	92	86	82	87	89	88	89
	D	92	100	112	108	112	113	102	87	116	116	109	102	103	102	90	88	83
	F	97	100	103	99	102	96	91	93	97	96	95	91	91	91	90	95	95
	IRL	103	100	105	123	147	123	108	101	125	124	122	114	108	102	103	110	90
	I	99	100	98	106	116	115	109	108	119	116	110	105	113	108	110	108	108
	NL	105	100	108	112	114	108	90	85	110	108	104	96	91	84	85	83	86
	UK	108	100	111	120	140	124	108	104	118	139	117	110	110	105	104	106	104
	EC 8	98	100	107	107	114	110	99	94	111	113	106	100	100	98	94	95	93
FINANCIAL SITUATION OF HOUSEHOLDS	B	103	100	100	98	99	100	96	91	99	103	97	96	96	94	92	92	90
	DK	96	100	104	101	101	99	88	87	100	100	97	92	86	87	88	87	87
	D	97	100	104	106	109	110	103	91	111	111	107	104	104	102	95	90	89
	F	99	100	101	100	102	99	96	96	100	99	98	97	96	96	95	97	96
	IRL	93	100	109	118	148	129	111	102	132	126	129	120	111	102	107	111	87
	I	104	100	99	105	113	114	113	112	115	116	111	110	116	113	115	111	111
	NL	101	100	99	102	106	103	93	84	105	102	101	99	93	88	88	82	82
	UK	103	100	94	88	121	119	102	94	118	123	118	112	100	94	100	92	91
	EC 8	100	100	101	101	109	108	101	95	109	110	106	103	102	99	98	94	94
— over last 12 months	B	99	100	103	101	101	100	98	95	101	102	98	97	99	96	92	94	97
	DK	93	100	102	99	100	97	88	91	99	97	94	88	85	89	90	89	93
	D	95	100	105	104	106	106	101	92	108	107	104	100	100	102	92	93	90
	F	95	100	101	99	100	96	94	96	98	96	96	94	95	94	94	98	96
	IRL	102	100	100	113	128	111	105	99	107	113	113	108	104	102	98	110	89
	I	98	100	97	99	105	103	101	103	105	104	101	99	102	102	103	102	103
	NL	101	100	101	107	108	109	97	94	110	109	107	101	100	92	94	93	95
	UK	107	100	105	110	121	116	103	101	109	130	110	101	105	102	101	103	101
	EC 8	98	100	102	103	106	105	99	96	105	107	102	98	99	99	96	97	96
— over next 12 months	B	87	100	126	112	109	107	88	78	114	110	97	89	94	81	73	83	78
	DK	75	100	90	78	83	81	62	75	93	80	70	60	59	68	75	74	76
	D	81	100	113	101	104	106	88	73	109	111	99	85	90	90	72	77	70
	F	85	100	101	98	101	86	74	89	89	85	83	72	73	75	75	99	94
	IRL	109	100	99	133	155	117	103	99	113	120	117	106	102	101	96	116	87
	I	88	100	96	102	113	107	93	94	117	108	95	87	101	92	96	91	95
	NL	105	100	126	124	124	109	78	86	115	112	101	77	85	72	77	87	95
	UK	112	100	132	149	148	119	109	112	103	152	104	98	112	116	105	117	112
	EC 8	88	100	111	108	111	103	87	86	105	109	95	83	89	88	81	91	87
GENERAL ECONOMIC SITUATION	B	135	100	130	134	137	142	110	84	143	149	134	115	118	99	84	94	74
	DK	75	100	112	100	119	115	77	93	141	123	80	75	66	91	96	92	90
	D	93	100	150	140	148	160	129	86	163	170	149	131	131	126	98	83	78
	F	100	100	106	100	108	95	81	83	100	95	91	84	78	80	77	85	87
	IRL	126	100	121	183	283	195	133	103	216	184	185	153	142	105	108	117	83
	I	89	100	80	121	169	173	133	123	192	172	154	123	150	125	129	116	124
	NL	138	100	129	157	169	155	100	80	162	156	147	121	96	82	78	74	90
	UK	137	100	139	194	311	209	144	122	200	243	183	155	154	121	113	131	121
	EC 8	103	100	125	130	153	144	112	92	148	151	132	115	114	106	94	91	90
— over last 12 months	B	87	100	126	112	109	107	88	78	114	110	97	89	94	81	73	83	78
	DK	75	100	90	78	83	81	62	75	93	80	70	60	59	68	75	74	76
	D	81	100	113	101	104	106	88	73	109	111	99	85	90	90	72	77	70
	F	85	100	101	98	101	86	74	89	89	85	83	72	73	75	75	99	94
	IRL	109	100	99	133	155	117	103	99	113	120	117	106	102	101	96	116	87
	I	88	100	96	102	113	107	93	94	117	108	95	87	101	92	96	91	95
	NL	105	100	126	124	124	109	78	86	115	112	101	77	85	72	77	87	95
	UK	112	100	132	149	148	119	109	112	103	152	104	98	112	116	105	117	112
	EC 8	88	100	111	108	111	103	87	86	105	109	95	83	89	88	81	91	87
— over next 12 months	B	87	100	126	112	109	107	88	78	114	110	97	89	94	81	73	83	78
	DK	75	100	90	78	83	81	62	75	93	80	70	60	59	68	75	74	76
	D	81	100	113	101	104	106	88	73	109	111	99	85	90	90	72	77	70
	F	85	100	101	98	101	86	74	89	89	85	83	72	73	75	75	99	94
	IRL	109	100	99	133	155	117	103	99	113	120	117	106	102	101	96	116	87
	I	88	100	96	102	113	107	93	94	117	108	95	87	101	92	96	91	95
	NL	105	100	126	124	124	109	78	86	115	112	101	77	85	72	77	87	95
	UK	112	100	132	149	148	119	109	112	103	152	104	98	112	116	105	117	112
	EC 8	88	100	111	108	111	103	87	86	105	109	95	83	89	88	81	91	87
PRICE TRENDS	B	100	100	98	95	81	79	84	86	75	77	84	85	82	84	85	83	90
	DK	111	100	96	100	94	92	96	96	87	97	93	92	99	96	90	99	100
	D	111	100	95	89	80	87	100	106	78	85	98	103	103	94	102	108	107
	F	108	100	100	98	91	96	102	101	92	97	100	102	102	101	101	100	102
	IRL	103	100	100	97	84	96	99	100	95	96	97	98	101	99	99	100	101
	I	104	100	101	99	91	94	99	98	90	93	98	100	98	98	98	99	97
	NL	103	100	100	95	78	76	86	89	71	76	80	82	89	87	87	91	90
	UK	100	100	96	100	82	90	96	86	87	87	95	99	100	90	86	86	86
	EC 8	107	100	98	96	85	90	98	98	85	89	96	99	99	95	96	98	98
— over last 12 months	B	100	100	98	95	81	79	84	86	75	77	84	85	82	84	85	83	90
	DK	111	100	96	100	94	92	96										

TABLE (continued): Consumer opinion on economic and financial conditions, index numbers (1975 = 100)

		1974	1975	1976	1977	1978	1979	1980	1981	1979			1980			1981		
										Jan.	May	Oct.	Jan.	May	Oct.	Jan.	May	Oct.
MAJOR PURCHASES	B	110	100	109	107	106	101	92	86	104	105	94	98	92	85	86	87	86
	DK	107	100	127	126	124	125	108	98	127	131	118	114	110	100	95	99	101
	D	92	100	104	103	108	103	97	84	108	103	98	100	96	96	92	87	72
	F	109	100	107	99	101	102	105	97	99	102	105	105	107	102	100	93	96
	IRL	100	100	108	118	122	120	108	103	123	124	113	116	104	102	111	107	92
	I	120	100	119	125	127	136	141	144	129	138	139	135	143	143	142	151	137
	NL	98	100	104	102	95	84	74	63	85	85	83	84	69	68	68	61	
	UK	104	100	111	116	122	123	110	107	119	131	119	116	111	103	108		
	EC 8	103	100	108	107	110	108	104	96	108	110	106	107	104	101	100		
	B	102	100	95	98	98	99	103	100			99			103	99	103	98
— at present	DK	95	100	98	98	99	101	95	96	102	102	100	97	94	93	96	96	97
	D	96	100	101	101	105	105	101	95	106	104	104	103	102	99	97	95	94
	F	100	100	102	101	102	100	99	99	101	100	100	100	99	99	99	100	100
	IRL	117	100	101	105	110	105	102	99	101	106	108	102	102	103	98	102	96
	I	97	100	90	83	80	85	79	77			85	77	77	82	75	78	79
	NL	101	100	99	100	100	94	90	86	97	95	90	94	92	85	87	86	86
	UK	103	100	101	104	112	115	106	101	115	117	114	111	107	101	100	102	101
	EC 8	99	100	100	100	103	103	98	94	104	104	100	99	98	95	93	94	94
	B	97	100	98	100	100	104	102	104	106	105	100	100	102	104	106	107	99
	DK	80	100	102	91	90	93	96	104	94	90	94	92	95	102	107	103	100
— over next 12 months	D	87	100	98	96	89	97	94	87	97	98	95	96	95	92	92	91	79
	F	92	100	96	99	102	101	91	91	102	103	98	95	86	91	93	92	88
	IRL	103	100	99	98	115	109	106	98	110	109	108	112	105	101	102	101	91
	I	90	100	93	100	103	101	93	92	103	104	97	97	91	90	95	91	90
	NL	109	100	96	99	105	111	111	118	109	111	112	110	109	113	114	116	125
	UK	109	100	99	108	117	123	135	134	114	120	136	143	132	131	135	132	136
	EC 8	93	100	97	99	99	103	100	97	103	104	103	102	98	99	100	99	93
	B	99	100	103	102	100	100	93	92	101	103	96	94	96	89	90	89	98
	DK	88	100	109	103	104	103	94	95	104	108	97	99	89	92	100	96	89
	D	92	100	99	99	98	100	99	85	103	98	99	99	98	99	95	91	69
SAVINGS	F	91	100	102	104	107	105	99	101	106	106	103	101	101	97	101	102	99
	IRL	105	100	94	101	112	105	103	96	107	102	105	108	98	102	99	101	88
	I	104	100	101	112	123	124	126	130	122	129	122	123	127	128	135	128	126
	NL	99	100	97	100	104	106	99	98	108	106	105	102	98	98	100	97	98
	UK	101	100	96	90	101	101	89	85	98	108	98	97	94	75	86	85	84
	EC 8	94	100	100	99	103	104	99	93	105	105	102	101	100	96	98	95	85
	B	100	100	100	100	100	100	97	96	101	102	98	97	98	96	96	96	96
	DK	97	100	103	103	102	100	96	96	100	101	100	97	95	97	96	97	95
	D	98	100	101	102	104	104	102	98	105	104	102	102	101	102	102	96	95
	F	99	100	99	100	100	100	98	98	100	100	99	99	98	97	98	98	97
FINANCIAL SITUATION OF HOUSEHOLDS	IRL	98	100	102	104	106	104	98	92	104	103	104	104	99	91	93	89	93
	I	100	100	101	103	106	107	108	108	106	109	107	106	108	108	109	107	107
	NL	99	100	98	100	105	111	109	108	112	111	110	110	108	108	110	107	107
	UK	101	100	97	92	97	98	97	97	96	101	99	97	97	95	98	96	96
	EC 8	99	100	100	100	102	103	101	99	103	104	102	101	101	100	101	99	98
	B	100	100	100	100	100	100	97	96	101	102	98	97	98	96	96	96	96
	DK	97	100	103	103	102	100	96	96	100	101	100	97	95	97	96	97	95
	D	98	100	101	102	104	104	102	98	105	104	102	102	101	102	102	96	95
	F	99	100	99	100	100	100	98	98	100	100	99	99	98	97	98	98	97
	IRL	98	100	102	104	106	104	98	92	104	103	104	104	99	91	93	89	93
— index of net acquisition of financial assets	I	100	100	101	103	106	107	108	108	106	109	107	106	108	108	109	107	107
	NL	99	100	98	100	105	111	109	108	112	111	110	110	108	108	110	107	107
	UK	101	100	97	92	97	98	97	97	96	101	99	97	97	95	98	96	96
	EC 8	99	100	100	100	102	103	101	99	103	104	102	101	101	100	101	99	98
	B	100	100	100	100	100	100	97	96	101	102	98	97	98	96	96	96	96
	DK	97	100	103	103	102	100	96	96	100	101	100	97	95	97	96	97	95
	D	98	100	101	102	104	104	102	98	105	104	102	102	101	102	102	96	95
	F	99	100	99	100	100	100	98	98	100	100	99	99	98	97	98	98	97
	IRL	98	100	102	104	106	104	98	92	104	103	104	104	99	91	93	89	93
	I	100	100	101	103	106	107	108	108	106	109	107	106	108	108	109	107	107
	NL	99	100	98	100	105	111	109	108	112	111	110	110	108	108	110	107	107
	UK	101	100	97	92	97	98	97	97	96	101	99	97	97	95	98	96	96
	EC 8	99	100	100	100	102	103	101	99	103	104	102	101	101	100	101	99	98

European Community consumer survey

The Community's survey of consumer opinion, which was started in 1972, is carried out in all Member States except and Luxembourg, on the basis of representative samples of households. In Belgium, Denmark, France, Ireland, Italy and the Netherlands surveys are undertaken three times a year (in January, May and October), by means of random sampling of households. Random surveys were also carried out in the United Kingdom until October 1980 and in Federal Republic of Germany until May 1981, subsequent results being taken from the monthly surveys (in the form of centred three-month averages) now being carried out in these countries on the basis of quota sampling of adults.

The questions put are the following (numbers in parentheses are the values given to each response to obtain the weighted average answer to each question):

- Financial situation of your household now compared to 12 months ago?
- Financial situation of your household, prospects over the next 12 months?
- General economic situation in the country now compared to 12 months ago?
- General economic situation in the country, prospects over the next 12 months?

For the above four questions the possible responses are: a lot better (+2), a little better (+1), the same (0), a little worse (-1), a lot worse (-2), don't know (0).

- Price levels now compared to 12 months ago? Much higher (+3), moderately higher (+2), a little higher (+1), about the same (0), lower (-1), don't know (0).
- Price trends over the next 12 months? More rapid increase (+3), some increase (+2), slower increase (+1), stability (0), fall slightly (-1), don't know (0).

- Unemployment level in the country over the next 12 months? Increase sharply (+2), increase slightly (+1), remain the same (0), fall slightly (-1), fall sharply (-2), don't know (0).

- Major purchases (furniture, washing-machine, TV, etc) at present? Yes, right time (+1), neither right nor wrong time (0), wrong time, should postpone (-1), don't know (0).
- Major purchases next 12 months compared to last 12 months? Much more (+2), a little more (+1), the same (0), a little less (-1), much less (-2), don't know (0).

- Savings at present, a reasonable time to save?

- Savings by you or your household over the next 12 months?

For the above two questions the possible answers are: yes, certainly (+2), yes, perhaps (+1), probably not (-1), certainly not (-2), don't know (0).

- Financial situation of households at present — financial asset accumulation? Borrowing (-2), drawing on savings (-1), just making ends meet (0), saving a little (+1), saving a substantial amount (+2), don't know (0).

The surveys are undertaken by:

- DK — Denmark: Danmarks Statistik
- D — Federal Republic of Germany: GfK (Gesellschaft für Konsum- Markt- und Absatzforschung)
- F — France: INSEE (Institut National de la Statistique et des Etudes Economiques)
- IRL — Ireland: the Agricultural Institute
- I — Italy: ISCO (Istituto Nazionale per lo Studio della Congiuntura)
- NL — Netherlands: CBS (Centraal Bureau voor de Statistiek)
- B — Belgium: INS (Institut National de la Statistique)
- UK — United Kingdom: Social Surveys (Gallup Poll) Ltd.